



Guide to Home Rehabilitation Loans



For home repair and rehabilitation, the City of Eugene has low-interest loans available for low income city residents. Funds for the loans come from the Department of Housing and Urban Development (HUD). Applications are accepted on an annual basis as long as funds are available.

Program Purpose

The purpose of the Home Rehabilitation Loan Program is to help low-income homeowner's correct factors that threaten the health and safety of the occupants, or the soundness of the structure.

Basic Eligibility

- X Property must be located within the Eugene city limits.
- X Applicants must meet HUD income guidelines and have acceptable credit histories.
- X Proposed work must be eligible and include at least one major system (Whole house Roof, HVAC, Electrical or Plumbing replacement).
- X Property must be the applicant's residence.

Loan Processing

To determine if you may be eligible for a rehabilitation loan, we will need the following items:

- X Completed Rehabilitation Loan Application.
- X Signed forms and verifications (verification of employment, deposit, mortgage).
- X Copy of your most recently filed tax return (including all schedules and W-2 forms). Self-employed applicants must provide 2 years of returns).
- X Copy of recent pay stub for each employed person in the household from all sources of employment.
- X Copy of benefit letter for each person in household receiving Social Security benefits.
- X Copy of current homeowner's insurance policy

Initially, we will use the information you provide to determine whether or not you meet the minimum standards for the loan program. It is important that the information you provide be accurate and complete. We verify all information on your application and obtain a credit report for all applicants. Depending on your personal circumstances, additional information may be requested.

Property Inspection

If we determine that your project appears to be eligible for the rehabilitation loan program, a property inspection will be scheduled. A Rehabilitation Specialist will visit your home to identify the work necessary to bring your property into compliance with current rehabilitation standards. Since you know more about your property than anyone else, we ask that you participate in this inspection. The project will be evaluated for viability to ensure as early as possible that repairs can be completed within the funding constraints.

After the inspection, the Rehabilitation Specialist will prepare a preliminary work write-up to identify repair items in two categories:

Required Work:

- X Priority conditions which endanger the health or safety of the occupants or the structural integrity of the home and include at least one major system (roof, HVAC, Electrical or plumbing replacement).

Optional Work:

- X Other eligible work which in the opinion of the advisor should be done to prevent further

deterioration, conserve energy and/or preserve the structure.

Required work must be completed prior to optional work. Optional items may only be completed if there are sufficient loan funds available. Repairs will be at the discretion of the City's Rehabilitation Program staff. Repairs not considered either of the above categories will not be eligible.

Bid Process

After you have reviewed and approved the scope of work in the preliminary work write-up, bid packets will be provided. Borrowers are responsible for obtaining three (3) completed bids from licensed, bonded general contractors. Multiple bids are necessary to help determine that the cost of your project will be reasonable. Homeowners will not be allowed to act as the general contractor for their own projects. The City reserves the right to deny the use of any contractor for just cause.

In compliance with Federal regulations, the City of Eugene will encourage the use of minority and women's business enterprises in conjunction with housing rehabilitation projects. The City of Eugene does NOT recommend specific contractors or business enterprises. However, when we send the bid packets, we can provide you with a list of contractors who have indicated an interest in performing rehabilitation work. You may choose to contact contractors on the list, or you may use other sources. Ultimately, it is your responsibility to choose the contractors to obtain bids from, and it is recommended that you check references.

Important Information You Need to Know

While you are obtaining bids, we will continue to prepare your loan package. We will verify all of your financial and employment information in writing, request a preliminary title report and we may ask that you obtain an appraisal or other documentation that will establish the true market value of your property. We can advise you further on additional information required after we review your individual circumstances.

Property Taxes

Property taxes must be current. We will not process your application or schedule a property inspection if property taxes are delinquent. City liens junior to senior tax deferrals and reverse mortgage are not allowed

Processing Time

Processing time varies, depending on the project. The average time required is six weeks to six months. Applications are processed in the order they are received. However, failure to provide requested documentation or to obtain bids in a timely manner may result in the funding of other projects before yours, or may cause your application to be declined.

Fire Insurance

Fire and/or hazard insurance is required. At a minimum, fire and extended coverage in an amount equal to 80-percent of the property value, or the total of liens, whichever is greater, is necessary. If your loan is approved, we will request that your insurance agent provide a binder at loan closing.

Flood Insurance

Flood insurance is necessary if your property is located in a flood zone. We will advise you if this requirement applies to your property.

Credit History

We examine your credit history carefully. All accounts with balances should be paid current. Your mortgage payment history is of particular interest. We want to see a regular pattern of monthly payments. If you have had credit problems in the past, we may ask for a written explanation prior to proceeding with the review of your application.

Loan Amount

The loan amount is determined by the cost of the work, your ability to make payments and the equity you have in the property. We will have a better idea after reviewing your property and contractor bids. We generally do not loan

less than \$5,000 or more than \$25,000. Included in the loan amount is a contingency sum to be used to cover unexpected or additional work that may surface during construction.

Interest Rate

The current interest rate of the loan is four percent (4%).

Loan Payments

Payments are arranged to fit your budget. Your Rehabilitation Specialist will work with you to come up with an affordable payment plan. Payments typically begin within 6 months after loan closing, depending on the type of project.

Loan Assumption

Assumption of your loan by another party is not allowed. If you transfer ownership of your property, whether by deed, contract or demise, the loan balance is immediately due and payable. Similarly, **if you cease to occupy the property as your principal residence, the balance of the loan will be immediately due and payable.**

Loan Approval and Closing

After you have submitted the contractor bids and we have gathered all required loan documentation, your loan package is submitted to a City Credit Committee for approval. If the project is approved, a closing date will be scheduled, and loan documents will be prepared for signature. All applicants, and any other party(s) who may be vested on title will need to be present. You may review the loan documents prior to signing. Please advise your Rehabilitation Specialist if you wish to do this.

At closing, you will be asked to sign a number of documents that cover all of the terms of your loan. Federal law requires that since you will be signing a trust deed that becomes a lien against your property, that you be given a three-day rescission period during which time you may change your mind and cancel the loan. The trust deed will be recorded after this period has expired. **Do not start work before this period expires.**

Construction

The contractor may begin work after the rescission period has expired and a construction contract between you and the contractor has been executed. We will provide the necessary contract for you and the contractor, but we are not a party to the contract. The City is the secured lender of funds for the performance of the rehabilitation work in accordance with the loan documents. The City is not an agent, partner or representative with respect to any contractor, supplier or other lenders who may be involved in the rehabilitation project. Depending on the scope of work involved, we allow approximately 90 days for construction to occur. (If construction exceeds the time allotted, the interest rate of your loan can be raised to 12-percent, in accordance with the loan documents.)

Progress Inspections

Progress inspections will be performed as work is completed on your project. Each time the contractor requests payment, work must be inspected by the Rehabilitation Specialist. Any work that requires a building or specialty permit must also be inspected and approved by the appropriate City inspector. Progress inspections may be requested as often as twice a month. An inspection schedule can be provided to you and the contractor at loan closing. Progress inspections are an extra safety check for you. Regular inspection allows us to confirm that there will be sufficient funds to complete your project. We typically hold the final 10-percent of the loan proceeds until all work is completed and inspections have been approved.

Due to Federal regulations, **we are prohibited from paying for materials that have not been installed, or paying for work that is incomplete.**

Final Inspection

The final inspection will take place after **all** construction work is completed. You will be asked to sign a Final Completion Certificate and authorize final payment to the contractor. Prior to release of funds to you or the contractor, all building or specialty permits must be approved and finalized. If there are funds remaining after final payment to your contractor, they will be used to reduce the principal amount of the loan.

Loan Servicing

After construction is complete, much of the contact you have with the City will be through the Finance Division. Payment coupons will be sent to you prior to the first payment due date. Questions concerning payments or the loan balance should be directed to the **Finance Division (682-5022)**

Loan Payoff

At such time when your loan is paid in full, the lien will need to be removed from your property title. This process is called full reconveyance, and is performed by the title company who initially recorded the trust deed (also known as the trustee). The trustee may charge a fee for full reconveyance, which is your responsibility to pay. Failure to reconvey the trust deed may result in the City's lien showing on your title which could affect sale or transfer of the property at some future time.